EFFECT OF MICRO- CREDIT FINANCING ON THE GROWTH OF WOMEN BASED ENTERPRISES IN KISUMU COUNTY

BY

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DECLARATION

This Research Project Report is my original work and has not been presented for any academic award in any other university. No part of this project may be produced without prior written permission of me and or Maseno University.

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DEDICATION

This research project is dedicated to my family members, supervisor and friends who have been very supportive and to the almighty God for the good health of mind that he accorded me.

ABSTRACT

Micro-credit financing is the provision of small loans through Micro- Finance Institutions to, people who operate Small and Medium Enterprises; of which women based enterprises is part, in order to achieve sustained and enhanced business growth. Indeed, women are the majority of borrowers. Smithsonian theory of economics posits that Self-seeking individuals are always eager to employ their labour, capital and skills to their best interests, that eventually add up to the benefit of the entire society due to the work of the "invisible hand". Business growth, which comprises quantifiable increase in business size, profits, and equity capital, relies heavily on financing; part of which is normally obtained through micro-credit financing. Women based enterprises which is part of Small and Medium Enterprises have shown minimal growth from the period transcending, 2009 to 2015, While micro credit financing channels have been on an increasing trend from the same period, the their performance and growth has been met with mixed reactions. The purpose of this study therefore was to determine the effect of Micro credit financing on the growth of women based enterprises because it is not clear how refinancing, credit volume and credit capital sufficiency affects growth of Women based enterprises. The specific objectives of the study are to; establish the effect of micro credit refinancing on growth of women based enterprises, determine the effect of Credit volume on growth of women based enterprises and analyze the effect of micro- credit capital sufficiency on growth of women based enterprises. correlation study design was used in this research since it is suitable for an in-depth study of the target population. The design is also able to indicate the causal relationship between variables in the study and hence the study could determine how one variable explains, or is explained by another. The target population was 1,500 Managers of registered women based enterprises in Kisumu County. A sample size of 385Unit Managers of registered women based enterprises were selected using random Sampling method. Primary and secondary data comprising qualitative and quantitative aspects were used to triangulate qualitative data collected. Structured questionnaires were used in primary data while secondary data were gathered from financial statements. The results indicated that there is a positive but insignificant relationship between credit volume and growth at $\propto_1 = 0.019, p = 0.461 < 0.05$. There is also a positive and a significant influence on credit refinancing and growth ($\propto_2 = 0.329; p = 0.000 < 0.05$ level. Lastly, there is a positive, significant relationship between capital sufficiency and growth is positive and significant ($\propto_3 = 0.316; p = 0.000 <$0.05 level. The R^2 is 0.698; which means that the micro credit financing variables that this study considered explains 69.8% Growth in women based businesses in Kisumu County. The study recommends that the women entrepreneurs in Kisumu County must devote all that they can to ensure that they keep on refinancing their businesses. Such refinancing must be adequate to ensure that their business enterprises remain sustainable if at all they intend to increase their profit margins. This report may be beneficial to micro-credit policy formulators as well as enrich the field of academia on matters related to women financing.

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LIST OF ABBREVIATIONS

SMEs	Small and Medium Enterprises
WBEs	Women Based Enterprises
NGOs	Non-Governmental Organizations
AMFI	Association of Micro- Credit financing Institutions of Kenya
K-Rep	Kenya Rural Enterprise Programme
UNDP	United Nations Development Programme.
NCAPD	National Council for Population and Development, Kenya
MFI	Micro Finance Institutions
MCF	Micro Credit Financing
UWFT	Uganda Women Finance Trust
PCEA	Presbyterian Church of East Africa.
KWFT	Kenya Women Finance Trust (Kenya women Finance Limited)
CPK	Church of Province of Kenya
NECK	National Ecumenical Churches of Kenya
AMFI	Association of Microfinance Institutions of Kenya
K-Rep	Kenya Rural Enterprise Programme
UNDP	United Nations Development Programme.
IFC	International Finance Corporation
ODA	Overseas Development Assistance

OPERATIONAL DEFINITION TERMS

Research - A process of enquiry and investigation that is systematic, methodical and ethical and helps to solve practical problems and increase knowledge.

A Case Study – refers to an opportunity to study a particular subject, e.g. one organization, in depth, or a group of people, and usually involves gathering and analyzing information that may be both qualitative and quantitative.

Loans- These are monies lent out to borrowers.

Credit-It is used synonymously with loans.

Collateral - This is property set aside to guarantee credit safely from default of repayment.

Structured questionnaires- Involve the use of questionnaires based on predetermined and identical set of questions. The questions are usually read out by a Researcher in a neutral tone of voice to avoid influencing or prompting a particular response from a participant.

Size- This refers to the spatial dimensions, proportions, magnitude, or bulk of anything: like size of a firm or enterprise.

Equity- The value of an ownership interest in property or part of the total capital of a business.

Profits- This is the business capacity to generate returns in excess of the operational costs.

Credit volume-This refers to the amount of money borrowed from financial institutions like Micro- finance institutions, which is repayable with interest.

Credit refinancing-This refers to number of times a borrower applies for a financial assistance normally a loan and has been granted that money.

Credit capital sufficiency- This is the amount of money borrowed by Small and medium enterprises to start or increase their investment in the business.

Credit financing- This refers to issue of loans to borrowers by Micro- finance institutions to individuals and organizations repayable through principal and interest being made over a given agreed period of time.

Variable- A variable is an object, event, idea, feeling, time period or any other type of category you are trying to measure.

Dependent variables-This is Variable in a functional relation whose value is determined by the values assumed by other variables in the relation.

Independent variables- This is variable in a functional relation whose value determines the value or values of other variables.

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CHAPTER ONE
INTRODUCTION

1.1 Introduction

This section forms the underpinning of the research study. It highlights the background of the study from a global to local Perspective of the Micro-Financing elements and its performance components. It also articulates the statement of the problem, determines the associated variables to inform the study objectives, questions and the value of the study.

1.2 Background of the Study

Micro credit financing channels have been on an increasing trend from the period transcending 2009 to 2015 in Kenya and by extension Kisumu County with expected positive impact on the growth of Small and Medium Enterprises of which women based enterprises are part of available information reveal mixed results on their growth and development. It is not clear how refinancing, credit volume and credit capital sufficiency affect growth of Women Based Enterprises. This means that there is a major gap in the relevance knowledge on developing countries including Kenya, which has to be covered by this study.

Micro financing concept runs back to 1976, when the idea of non-collateralization of credit was conceived (Yusuf,1976) with an aim of providing collateral free loans to poor people; especially in rural areas, at full-cost interest rates that are repayable in frequent installments that stimulate the growth of Small and Medium Enterprises (SMEs). Small and Medium Enterprises (SMEs) need micro- credit services to enhance their development, profitability and growth according to Sievers and Vanderberg (2004).Hossain, (1988), Atieno, (2001) contends that Micro-credit financing is the provision of loans through Micro-Finance Institutions (MFIs) to people who rely on their small businesses for income and who are considered non- bankable; because of lack of collateral to be pledged as security. These borrowers are considered high risk by the mainstream or traditional commercial banking sector, Daley (2002). Sinha, (1980) states that these terms, micro-credit and micro-finance are often used interchangeably.

Robinson, (2011). Asserts that “Micro-credit financing refers to small loans is appropriate where NGOs and MFIs supplement the loans with other financial services such as savings insurance and pension payments. These credits are provided to facilitate business size, profit and equity changes for the purposes of enterprises' growth, Kessy and Urio (2006), defined Small and Medium Enterprise (SME) as a productive activity to either produce or distribute goods and or services; mostly in the informal sector. The SMEs nomenclature is used to mean Small, and Micro Enterprises, which is sometimes referred to as Micro, Small and Medium Enterprises (MSMEs). "In Kenya, the Micro, Small and Medium Enterprises (MSME) Bill 2009 has used two criteria to define SMEs in general; that is, based on the number of people/employees and the company's annual turnover MSME Bill (2009).

A micro enterprise has less than ten employees and annual turnover of Kenya shillings five hundred thousand while a small and medium enterprise employs more than ten but less than 50 employees and annual turnover of between Kenya shillings five hundred thousand and Kenya shillings five million. Therefore Small and Medium enterprises (SMEs), refer to enterprises whose turnover are between Kenya shillings five hundred thousand to Kenya shillings five million with employee numbers ranging between two to fifty of which Women Based Enterprises(WBEs) is part of MSME bill (2009).

Micro-credit financing as a process is carried out through microloans, micro savings and leasing, World Bank, (2009). Chandrasekhar, (2004) asserts that accessing credit is considered to be an important factor in increasing the growth of SMEs of which WBEs are part (World Bank, 2009). It is argued that MFIs that are financially sustainable with high outreach have a greater livelihood and also have a positive impact on SMEs growth because they guarantee sustainable access to credit by the SMEs (Rhyne and Otero, 1992). Diagne and Zeller (2001) state that credit augment income levels business expansion, competitiveness increase sales volume and more profits; thereby enabling SMEs to overcome their liquidity constraints and undertake investments specifically by Women Based Enterprises (WBEs, Odhiambo, 1985). Hospes et al., (2002) asserts that Government of Kenya, however, the main objective of MCF is therefore to improve the welfare of the low income earners as a result of better access to small loans that are not offered by the formal financial institutions (GOK, 2008).

Khan and Rahaman, (2007) states that insufficient access to credit by the poor just below or just above the poverty line may have negative consequences for SMEs, which WBEs are part of for overall welfare. Sievers and Vanderberg (2004), similarly state that access to financial and business development services are essential for growth and development of Small and Medium Enterprises. Information from the Association of Micro- Finance Institutions Report AMFI Newsletter, (2013) reveals that women represent a large majority of borrowers of the entire sector comprising of 65.6%.As such, Women Based Enterprises are perceived to have very low credit risks and very high repayment rates in various sectors. Their financing coming mainly from Micro- Finance Institutions (MFIs). Their sustainability is based on their growth designed by micro-credit refinancing of the enterprises as the amount of credits granted may have an effect on the changes in size, profits and equity (Asiama, 2007; Hossain, 1988 and Atieno, 2001). Micro- credit financing institutions have therefore gone a long way to improve SMEs by granting them loans to finance their businesses as access to credit should enable the WBEs to achieve growth, (Clemecia & Charles, 2013).Arising from the above contentions and scenarios there should be more emphasis to support the growth and development of Small and Medium Enterprises of which women Based Enterprises are part.

Fin access National Survey (2013) indicates that MFIs increased greatly from 1.8% in 2006, to 3.5% in 2009 and 2013 respectively whereas female credit access during this period was 28.9%. The usage of MFIs in Nyanza region was 3.4% a region where Kisumu County is based. The number of Micro Finance Institutions in Kenya and Kisumu County in particular ,increased from 6 in 2009 to 12 in 2013 (National Survey,2013). AMI Newsletter, (2013) demonstrates a steady growth of WBEs whereas the performance of women based enterprises has been showing mixed results in terms of their growth. The elements of enterprise growth are undertaken under mechanisms such as credit refinancing, credit volume and credit capital sufficiency. Roth (2002), believes that micro credit financing encompasses micro credit, micro savings and micro insurance. A major impediment to rapid development of the small and micro enterprises sector is an absence of both debt and equity financing. Accessing finance has been identified as a key element for small and micro enterprises to thrive in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries (Idowu, 2010). Without finance, small and micro enterprises cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms (Idowu, 2010). Given that there has been tremendous growth of Micro finance institutions in Kenya and Kisumu County from the period transcending 2009 to 2013 in particular offering these Micro financing services, it is not clear how Micro- credit financing affects the growth of Women based enterprises.

1.2.1 Credit Financing

Credit Financing has been a common feature of WBEs. Hulme, (2000) contends that in Credit refinancing, the number of times a borrower applies for a financial assistance normally a loan and has been granted that money and it is considered to help the enterprise acquire credit for its development and growth. Hulme, (2000) in a study on the use of micro-credit to combat poverty, argues that well-designed programs can improve the incomes of the poor and can move them out of poverty. The findings were that there is clear evidence that the impact of a loan on a borrower's income is related to the level of income as those with higher incomes have a greater range of investment opportunities, and so credit schemes are more likely to benefit the middle and upper poor.

Rahmat and Maulana (2006) in their study findings indicated that Micro-finance has positive impact to improvement of SME's performance as indicated by sales. Arguing that doubling the amount of loan was found to have a negative impact on the performance indicated by income and savings. To address this negative impact, their recommendation was that it is very important to allocate the loan to the productive activities, such as investment, in a way that improves the business opportunity. Ojo (2009) in his research on the role of micro finance in entrepreneurship development found out a significant difference in the number of entrepreneurs who used Micro-finance Institutions and those who do not. Micro-finance is sustainable to the development of entrepreneurship activities in Nigeria and that Micro-finance has affected entrepreneurship in the country positively. He concluded that Micro-finance institutions have a positive relationship with the Nigerian economy represented by expanded GDP. Whereas micro credit financing in Kenya and by extension Kisumu County have been operating under this mechanism it is not clear how refinancing affects enterprise growth of Women based enterprises.

Mitulla (2003), stated that access to well-developed microcredit systems may be a crucial catalyst for economic development. Atieno (2009) established in their study that, formal microcredit services are important for the expansion of SMEs and for their subsequent role in the national economy. Otto, Muli and Ong'ayo, (2010) in their study established that those SMEs that received large loans frequently had larger labour force than those

SMEs that received smaller loans. They argued that appropriate credit volume for clients matching their needs, realistic interest rates, savings as a prerequisite, regular, short and immediate repayment periods and achieving scale contributes to the sustainability of micro and small enterprises (SMEs). Littlefield et al, (2003) states that "various studies document increases in income and assets and decreases in vulnerability of micro- credit financing clients". Their study of projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda showed very positive impacts of micro- credit financing in reducing poverty. Even though micro credit financing in Kenya and by extension Kisumu County have been operating under this mechanism it is not known how micro credit volume affects enterprise growth of Women based enterprises.

1.2.2 Credit Capital Sufficiency

Credit capital sufficiency refers to the amount of money borrowed by Small and medium enterprises to start or increase their investment in the business it helps the enterprise to acquire assets for the business, expand the business and venture into other products to facilitate its growth. It is considered important as it helps in investment and diversification of enterprise. The expansion of SMEs requires sustained investments; however, at low levels of income, capital accumulation may be difficult. Formal credits facilities may help small-scale entrepreneurs to improve their incomes and accumulate own capital (Hossain, 1988, and Atieno, 2001).Carpenter and Petersen (2002) argue that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business (SMEs) failure in developing economies. It is from this perspective, that micro credits are considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal.

Sonfield & Barbato, (1999) states that access to credit enables the SME owner to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. Similarly, a study by Grameen Bank, (1983) found that many SMEs had limited capital, lacked relevant skills and used outdated technologies that constrained their growth. The study found a number of factors that influence the decisions of SMEs operators and mangers before deciding the source and amount of capital to finance business investments to invest in business activities. Prasad, Green and Murinde, (2005) found that financing policy, capital structure and firm ownership are all strongly linked. Whereas micro credit financing in Kenya and by extension Kisumu County have been operating under this mechanism it is not known to what extent capital sufficiency affects enterprise growth of Women based enterprises. It is therefore important to study these gaps to establish the effect of micro credit financing on the growth of women based enterprises. The importance of this study is that it will generate information beneficial to micro-credit policy formulation on women based enterprises and contribute to further academic enquiry on gender-based businesses. Lack of adequate credit refinancing, credit volume and sufficient capital greatly affect the performance and growth of WBEs. The prevalence of these challenges has not been succinctly addressed. This research therefore hoped to fill that gap in research and literature in this industry, which had been overlooked before.

1.3 Problem Statement

Whereas micro credit financing channels have been on an increasing trend from the period transcending January, 2009 to December, 2013in Kenya and by extension Kisumu County with expected positive impact on the growth of SMEs, available information reveals mixed results on their growth and development. It is not clear how refinancing, credit volume and credit capital sufficiency affects growth of Women based enterprises. This means that there is a major gap in the relevant knowledge on developing countries including Kenya, which has to be covered by this research.

1.4 Purpose of the Study

The main purpose of this study was to determine the effect of Microcredit financing on the growth of women based enterprises (WBEs).

1.4.1 Specific objectives of the Study

1. To establish the effect of credit refinancing on growth of WBEs.
2. To determine the effect of credit volume on growth of WBEs.
3. To find out the effect of Credit capital sufficiency on growth of WBEs.

1.4.2 Research Hypotheses

H_{01}: There is no effect of credits refinancing on growth of WBEs.

H_{02}: There is no effect of credit volumes on growth of WBEs.

H_{03}: There is no effect of credit capital sufficiency on growth of WBEs.

1.4.3. Significance of the study

This study generates information beneficial to micro-credit policy formulation on women business enterprises and contribute to further academic enquiry on gender-based businesses.

1.5 Theoretical Framework

This study is anchored on the theory of growth according to Sexton and Smilor, (1997), Carland et al., (1984) on their research on the reasons for small firm growth stated that growth is a natural phenomenon in the evolution of the firm. In addition, that growth is a consequence of level of capital outlay. This means that the measurement of growth should be viewed as a function of changes in profit, size, and equity being aided by credit volume, credit refinancing and credit capital sufficiency, which are the components of micro- credit financing whose fundamental goal is to engineer the growth of WBEs. This study intends to modify this according to study variables so that growth is a function of micro- credit financing.

1.6 Conceptual Framework

A conceptual framework considers the theoretical and conceptual issues surrounding research work and forms a coherent and consistent foundation that will underpin the identification and development of existing variables. A variable is that which the researcher can control in order to investigate its effect, impact or influence in order to determine its effect or influence on the dependent variable (Mugenda and Mugenda (2009). In fig.2.1 the independent variables are; Credit Volume, Credit refinancing and Credit capital sufficiency. The dependent variable is Business growth of Women Based Enterprises in Kisumu County.

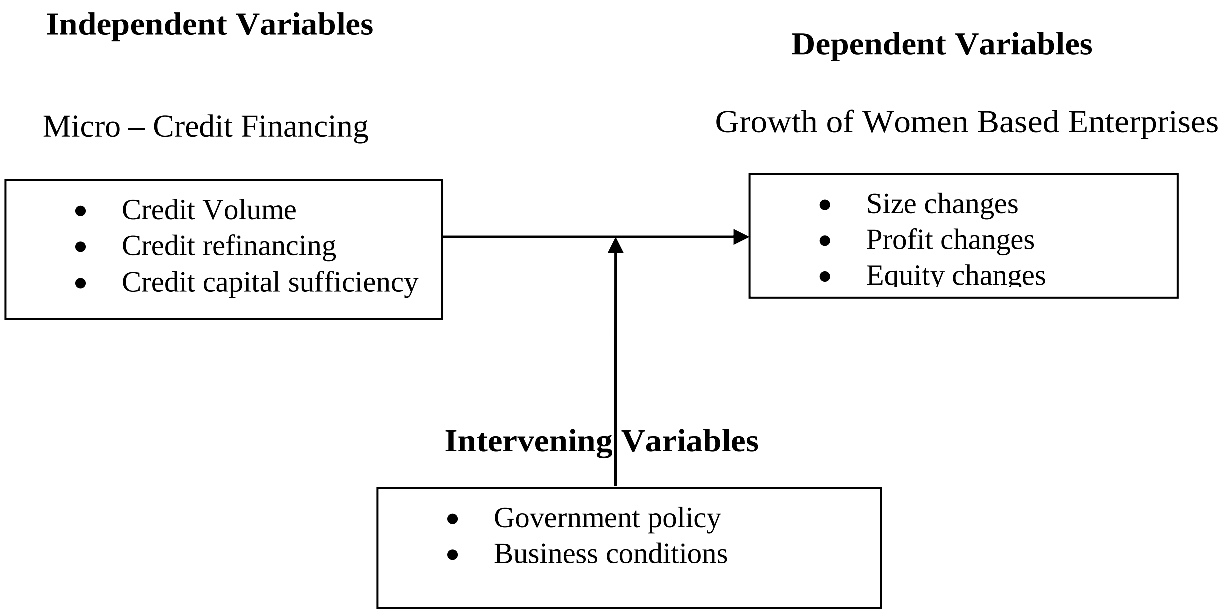

Figure: 1.1 Conceptual Framework

Source: Self-conception, (2015)

These variables seek to measure interdependency of micro- credit financing on credit volume, credit capital sufficiency and credit refinancing on Women Business Enterprises growth on the Dependence variables of Size, Profit and Equity changes of the growth of women business enterprises. The variables are set up in a conceptualization that shows inter-relationship on the controlling variables such as Government and business policies as shown above.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

In this section, literature that is published in relation and which is consistent to the research problem is reviewed. The chapter discusses theoretical and empirical literature pertaining to the research topic in Kenya as observed within the Micro-credit industry. The sub section of this chapter is determined by the variables and research questions being investigated to show the relationship of the variables by use of a model. The last part includes the review of the critical literature that has a direct relationship with the research. The chapter further identifies the research gaps. Lastly, the conceptualization of the research problem are identified, explained and operationalized.

2.2 Micro-Credit Financing Concept

The origin of microcredit can be found at various times in modern history. Jonathan Swift inspired the Irish Loan Funds of the 18th and 19th centuries. In the mid-19th century, Individualist anarchist Lysander Spooner wrote about the benefits of numerous small loans for entrepreneurial activities to the poor as a way to alleviate poverty at about the same time, but independently Spooner, Friedrich Wilhelm Raiffeisen founded the first cooperative lending banks to support farmers in rural Germany. In the 1950 Akhtar Hameed Khan began distributing group-oriented credit in East Pakistan. Khan used the Comilla Model, where credit was distributed through community-based initiatives. The project failed due to the over-involvement of the Pakistani Government, and the hierarchies created within communities as certain members began to exert more control over loans than others did. Robinson, (2011), supports these findings in his study and Otero, (1999) in his study findings.

Modern micro-credit traces its origins to 1976. When Dr. Mohammed Yunus, started a small Micro-credit scheme as an experiment in the rural areas of Bangladesh, whose objectives were: to eliminate exploitation of the poor, extend banking facilities to the poor mainly women, promote self-employment for rural unemployed Bangladesh is, which included the most disadvantaged (especially women) in leadership roles, reverse the cycle of "low income, low saving & low investment" to injection of credit, more income, more savings, and more investment Yunis, (1976). Other micro-credit programs around the world adopted Yunus's model by helping poor women invest in small businesses, allowing them to retain assets and thereby better their households. In the 1980, social entrepreneurs in India established self-help groups (SHGs) of 10-20 women and then linked them to banks to encourage responsible lending (CGAP b). These programs inspired Non-Governmental Organizations (NGOs) to provide some financial services for the poor, which expanded to offer formal savings programs by the 1990s (Kiva, 2011). Similar programs evolved in Africa and Southeast Asia with the assistance of organizations like IFAD, Opportunity International, Catholic Relief Services, Compassion International, CARE, APMAS, Oxfam, Tearfund and World Vision.

In Kenya Ondunge, (1996) states that Micro credit began in 1989, In 1990 the model received a major boost when K- Rep assisted other micro finance institutions namely NECK, PCEA, Chogoria Hospital, and KWFT in adopting the models and were later joined by others, namely Action Aid- Kenya, CPK, Diocese of Eldoret and over 40 others. The major approaches and the modes of these institutions include the minimalist model which refers to the provision of credit with minimal assistance in training, technical assistance and marketing. Due to rapid development in Kenya’s economic landscape, the agencies eventually graduated into vibrant institutions (Hospes et al, 2002). The growth of micro-credit institutions in Kenya improved through the Government’s resolve to create an enabling environment through appropriate policy and legal frameworks to support entrepreneurial development. Between 1992 and 1994, the Government was intensively involved in implementing the Structural Adjustment Programs (SAPs). In this regard, the aim of economic liberalization was to restore macro-economic stability and spur private sector investments. To counter the potential negative impact of liberalization, micro-credit industry emerged as one of the areas requiring donor support (Atieno,2009). Government estimations indicated that the micro credit has received more than US$ 200 million from external sources, which supported the financing needs of Small and Medium Enterprises (SMEs).

Since January, 2010, the micro-credit sector has shown positive growth trend, reaching out to 832,794 active borrowers with a gross loan portfolio of KES 49.1bn, achieving a 15.7% annual growth, the sector reaches out to 657,785 active borrowers with a loan book amounting to KES 28.6 billion; reporting a 26.4% annual growth. Women represent a large majority of borrowers (65.6% of the entire sector. Deposit Taking Micro finance (DTMs) are the segment having the highest share of women borrowers, as KWFT (64%

of total DTMs active borrowers) lends almost exclusively to women, Association of Micro- Finance Institutions of Kenya (AMFI Newsletter, 2013).Other operators like the mainstream banks in Kenya such as Equity Bank, Family Bank, Faulu Bank, Co-operative Bank amongst others have developed this programme to target the low income savers to increase their profits given the rapid growth in the demand for credit facilities and to help businesses growth. Kenya Women Finance Trust (KWFT) is one of the institutions that have shaped the microfinance in the country by extending microcredit facilities to women-based businesses (Odhiambo, 1985; Hospes et al., 2002; (Government of Kenya, 2008). This means that micro-credit financing is a concept that came into existence long whose main objective was to help the poor access credit services that could not be offered to them by the main stream commercial banks.

2.3 Micro- Credit Financing Theory

The theory of micro credit financing has been derived from economic theory that forms the foundation of the credit business in non-communist society. As Adam Smith (1937) conceived this theory in the eighteenth century stating that Self-seeking individuals are always eager to employ their labour, capital and skills to their best interests, which eventually add up to the benefit of the entire society due to the work of the "invisible hand". Smith's idea, later popularized as the theory of capitalism by Karl Marx, describes the principles of material prosperity of the non-communist society. The psychological component of micro credit theory known as "social consciousness driven capitalism" has been advanced by most ardent promoter of micro finance Muhammad Yunus (1994). This theory argues that a species of profit-making private venture can be conceived that cares about the welfare of its customers.

Roth (2002), believes that micro credit financing encompasses micro credit, micro savings and micro insurance. While Bauchet and colleagues (2011), gave the narrative of micro-credit as providing small loans to capital constrained micro-entrepreneurs who then earn a high return on the loans to be able to repay a relatively high interest rate, and re-invest in their businesses to grow further, and eventually move out of poverty. The aim was to provide collateral free loans to poor people, especially in rural areas, at full-cost interest rates that are repayable in frequent installments Muhammad Yunus (1976). Von (1991) maintains that Micro- credit financing came into being from the appreciation that micro entrepreneurs and some poorer clients can be 'bankable', that is, they can repay both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Ledgerwood (1999), Christen and Rosenberg (2000), perceive the concept of micro finance as the provision of financial and non-financial services by micro finance institutions (MFIs) to low income groups without tangible collateral but whose activities are linked to income generating ventures. These financial services are savings, credit, payment facilities, remittances and insurance while non-financial services mainly entail training in micro enterprise investment and business skills. Majorly Small and Medium Enterprises (SMEs) of which Women Based Enterprises are part of play an important role in the social and economic development of many countries by creating employment opportunities and improving incomes. In Kenya, the development of SMEs is a priority strategy for the country's industrialization, employment creation and poverty reduction (Mitulla, 2003; Atieno, 2009). With the commercialization of the microfinance industry since the 1990s, the formal financial sector has become interested in poor clients and started offering services and products to them. In this context, the vocabulary used has changed from 'micro-credit' in the 1970s and 1980s, to 'microfinance' in the 1990s, to the wider programme of interventions known as 'financial inclusion' in the 2000s. This focuses on financial services for the poor, specifically microfinance, with a specific focus on gender and the potential for microfinance to reduce gender inequalities. Since the 1970s microfinance has come to be seen as an important development policy and a poverty reduction tool for men as well as women. By 2010 over 200 million people were served by thousands of microfinance institutions (MFIs) Maes and Reed (2012). Microfinance now includes a suite of financial tools which aim to provide banking services to the 'unbanked' through the provision of small loans (micro-credit), the lending of productive assets (micro-leasing), facilities to save (micro-savings), and most recently insurance policies (micro-insurance) and money transfers. These instruments are seen as reducing and mitigating risks and vulnerabilities experienced by poor people Hulme et al. (2009). Littlefield et al. 2003, Simanowitz and Brody 2004, World Savings Bank Institute (2010), argue that microfinance is a key tool to achieve the Millennium Development Goals (MDGs). This therefore means that the theory is to help in the growth and development of these SMEs of which WBEs is part of.

2.4 Micro-Credit Financing

The volume of credit advanced to a business is important for its growth and expansion of SMEs that requires sustained investment in working capital. However, at low levels of income, the accumulation of such capital may be difficult. (Makokha, 2006) revealed that inadequacy of capital hindered the expansion of businesses whereas (Otto, et Al, 2010) in their study indicated that those SMEs that received large loans frequently had larger labour force than those SMEs that received smaller loans. Appropriate loan sizes for clients matching their needs, realistic interest rates, savings as a prerequisite, regular, short and immediate repayment periods and achieving scale can contribute to the sustainability of SMEs.

The expansion of SMEs requires sustained investments; however, at low levels of income, capital accumulation may be difficult. Formal credit facilities may help small-scale entrepreneurs to improve their incomes and accumulate own capital as stated by Hossain, (1988), and Atieno (2001), in their study findings. Mitulla(2003), states that access to well-developed microcredit systems may be a crucial catalyst for economic development while as noted by Atieno (2009), formal microcredit services are important for the expansion of SMEs and for their subsequent role in the national economy. Otto, Muli and Ong'ayo, (2010) in their study established that those SMEs that received large loans frequently had larger labour force than those SMEs that received smaller loans. And stated that appropriate credit volume for clients matching their needs, realistic interest rates, savings as a prerequisite, regular, short and immediate repayment periods and achieving scale can contribute to the sustainability of micro and small enterprises (SMEs).Littlefield, Murduch and Hashemi, (2003) state that "various studies document increases in income and assets and decreases in vulnerability of micro- credit financing clients". They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda, which all showed very positive impacts of micro- credit financing in reducing poverty. Hulme (2000) in a study Impact Assessment Methodologies for Micro- credit financing: Theory, Experience and Better Practice, (World Development, 28 (1), 79 – 98.) in a comprehensive study on the use of micro-credit to combat poverty, argues that well-designed programs can improve the incomes of the poor and can move them out of poverty. They stated that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the "middle and upper poor". Rahmat and Maulana (2006) researched on the Impact of Micro-finance to Micro and Small Enterprise's Performance Indonesia. Results of the study indicated that Micro-finance has positive impact on improvement of SME's performance indicated by sales. Doubling the amount of loan was found to have a negative impact on the performance indicated by income and savings. To address this negative impact, the recommendation was that it is very important to allocate the loan to the productive activities, such as investment, in a way that improves the business opportunity. Ojo (2009) in his research on the role of micro finance in entrepreneurship development, found out that there was a significant difference in the number of entrepreneurs who used Micro-finance Institutions and those who do not. Micro-finance is sustainable to the development of entrepreneurship activities in Nigeria and that Micro-finance has affected entrepreneurship in the country positively. He concluded that Micro-finance institutions have a positive relationship with the Nigerian economy represented by expanded GDP.

However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets. This is supported by Mayoux, (2001) stated that while micro- credit financing has much potential the main effects on poverty have been: credit making a significant contribution to increasing incomes of women, micro-credit services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the business owners to cope with unpredictable shocks and emergencies. They show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the people are encouraged to save; their vulnerability is reduced and their situation improves. This implies that micro credit financing mechanisms increases the size, profit and equity of enterprises which contributes positively to growth of (SMEs) which women based enterprises (WBEs) are part of.

Atieno R, (2009) in a study Linkages, Access to Finance and the Performance of Small-Scale Enterprises in Kenya. Research Paper No. 2009/06. New York: World Institute for Development Economics Research established that the growth and expansion of SMEs requires sustained investment in working capital. Uganda Women Finance Trust (UWFT), (2005) found that majority of SMEs that accessed adequate funds from micro-credit financing institutions (MFIs) increased their volume of sales and the profit. The study also found SMEs acquired assets using MFIs loans. According to a study by UNDP (2002), it established that SMEs in Kenya were able to acquire fixed assets and technologies using MFIs. Carpenter and Petersen (2002) argue that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business (SMEs) failure in developing economies. It is from this perspective, that micro credits are considered to be appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal. Sonfield & Barbato, (1999) state that access to credit enables the SME owner to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. Similarly, a study by Grameen Bank, (1983) found that many SMEs had limited capital, lacked relevant skills and used outdated technologies that constrained their growth. However, the study stated that there are a number of factors that influence the decisions of SMEs operators and mangers before deciding the source and amount of finance to finance business investments to invest in business activities. Prasad, Green and Murinde, (2005) found that financing policy, capital structure and firm ownership are all strongly linked. This reveals that micro credit capital sufficiency increases the size, profit and equity of enterprises which contribute positively to growth of (SMEs) which women based enterprises (WBEs) are part of.

According to Aksoy (2005) finance theory is under three main categories However, financial decisions about working capital sufficiency are mostly related with financing and managing short Of term investments that undertake both current assets and current liabilities simultaneously. In most cases short term financial management referred to as working capital management. Efficiency in working capital management is important especially for production firms whose assets are mostly composed of current assets (Horne and Wachowitz, 2004) as it directly affects liquidity and profitability of any firm (Raheman and Nasr, 2007). According to Kargar and Bluementhal (1994) bankruptcy may also be likely for firms that put inaccurate working capital management procedures into practice, even though their profitability is constantly positive. Hence, it must be avoided to recede from optimal working capital level by bringing the aim of profit maximization in the foreground, or just in direct contradiction, to focus only on liquidity and consequently pass over profitability.

While excessive levels of working capital can easily result in a substandard return on assets, inconsiderable amount of it may incur shortages and difficulties in maintaining day to-day operations. Working capital is also a major external source of capital especially for small and medium sized and high growth firms. These firms have relatively limited access to capital markets and tend to overcome this complication by short - term borrowing. Working capital position of such firms is not only an internal firm- specific matter, but also an important indicator of risk for creditors. Higher amount of working capital enables a firm to meet its short - term obligations easier. This results to increased borrowing capability and decrease in default risk and consequential decrease in cost of capital and increase in firm value. Therefore, efficiency in working capital management affects not only short-term financial performance in terms of profitability, but also long - term financial performance, i.e., firm value maximization Moyer et al., (1992).

Nanor (2008), in a study from Ghana explored relationship between micro-credit and the income from engagement in economic opportunities. The study found a statistically significant positive association between participation in micro-credit and small businesses' profit levels in two of the districts studied. Dupas and Robinson (2011). On their two studies of micro-savings in Malawi (Brune et al. 2011) and Kenya (Dupas and Robinson (2011) both found that providing clients with micro credit financing increased their levels of savings. These savings are used as security to acquire more credit refinancing. Takahashi et al. 2010), Erulkar and Chong (2005), found positive significant impacts in Kenya. The TRY (Tap and Reposition Youth) programme was shown to increase the number of household assets owned by girls, particularly among the 20+ age group. Johnson and Rogaly,(1997) refer to examples whereby savings and credit schemes were able to meet the needs of the business entrepreneurs. They state that micro- credit financing specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability, while much debate remains about the impact on growth. Zohir and Matin, (2004) made a similar point when they stated that the impact of micro- credit financing interventions is being under-estimated by "conventional impact studies which do not take into account the possible positive externalities on spheres beyond households". They propose that impact should be examined from cultural, economic, social and political domains at individual, enterprise and household levels. This shows that micro credit refinancing increases the size, profit and equity of enterprises which contributes positively to growth of (WBEs) which are part of (SMEs).

2.5 Enterprise Growth

The purpose or goal of any firm is to make profit and grow. A firm is defined as an administrative organization whose legal entity or framework may expand in time with the collection of both physical resources, tangible or resources that are human in nature. In research, a firm's growth have been defined in many ways and different measures have been used. Other explanations have also been presented Basu et al., (2004). Business grows from micro to small to medium and to large. Previous research reveals that business growth is a multidimensional phenomenon. Business growth patterns are related to the demographic characteristics of firms such as a firm's age Basu et al., (2004). The most frequently used measure for growth has been change in the business's turnover Weinzimmer, Nystrom, and Freeman,(1998). Another typical measure for growth has been change in the number of employees. Migration from micro to small to medium & to large enterprise and migration in terms of the sources of finances from microcredit financing to other sources of funds/borrowings from financial institutions/securities market is another indicator of growth. It has however been found that the measures, which are frequently used in the small businesses context, are strongly inter-correlated Storey, (2000). Many organizations "life cycle models present growth as one stage of development in organization life cycle. Previous studies have not focused on whether microfinance could be a factor behind the longevity and growth of women based enterprises Weinzimmer, et al., (1998).

The term growth is also defined in another context as an increase in size or other objects that can be quantified or a process of changes or improvements. The firm size is the result of firm growth over a period of time and it should be noted that firm growth is a process while firm size is a state. The growth of a firm can be determined by capital sufficiency, refinancing and credit volume to facilitate opportunities for investments that are profitable. The determining factor for a firm's growth is the availability of financial resources to the firm. There is different range of indicators of growth of SMEs. Increase in profits, changes in size, and equity capital are indicators of growth for the enterprises to which women based enterprise is part of. Barnes (2005), conducted a study in Zimbabwe to determine the impact of microcredit on the performance of SMEs and household economic status among communities most burdened by HIV and AIDS. The study revealed that access to microcredit had a positive effect on borrowers' average income, food security, nutrition, treatment adherence as well as education of orphaned and vulnerable children. Robinson (2004), in his study assessed the role of microfinance on the economic status of the poor in developing countries, majority of who are women. The study found that women-based SMEs formed about 83% of microcredit clientele, which increased the role of women entrepreneurs in economic development at the household, community, national and international levels. Based on the findings, Robinson (2004), argued that investing in women-based SMEs was an effective way of increasing family expenditures on health and education, as well as improving nutrition and food security.

Another study conducted by Khandker (2003), focused on the tracking of microcredit and poverty indicators in Bangladesh. The study found that access to microcredit reduced poverty rates by more than 20% among borrowers, with more than half of such improvement resulting from microcredit. Due to the spillover effect on non-participants in microfinance schemes, the study attributed up to 40% of poverty reduction in rural Bangladesh to microcredit. In a review of the same study, two years later, Khandker demonstrated that the substantial impact of microcredit on poverty was entirely the result of borrowing by women rather than men Khandker, (2005). Morduch (1999),in his study also noted that in developing countries, women played a pivotal role as risk managers and drivers of development, particularly in poor communities. Microcredit programs in such countries enabled thousands of women to use small sums of money in creative ways to develop livelihoods, improve family well-being and accumulate savings. However, the study noted that available microcredit resources were too limited to spur long-term economic growth; thus, suggesting the need for more investments in microfinance programs Morduch, (1999). Many researchers use the Grameen Bank, the model for many other lending institutions, as a basis for analyzing the effectiveness of micro-credit financing. In 2003, three economists published an influential article in the Journal of Development Economics which quantitatively assessed the Grameen Bank's borrowers. Using data from 229 borrowers' households, the three economists concluded "while micro-credit is successful at reaching the poor, it is less successful at reaching Women the group most prone to destitution, the vulnerable poor" Amin,(2003).Lamia Karim (2008), connects the roles of gender and economy in Bangladesh, analyzing repayment rates in the context of neoliberalism. Karim focuses on four major lending institutions in Bangladesh to describe "how Bangladeshi rural women's honor and shame are instrumentally appropriated by micro-credit NGOs in the furtherance of their capitalist interests" Karim,(2008). Habibulla, (2010), and John (2011), in their studies found that MFIs loans increased the income of SMEs operators and poor people in Bangladesh and Zimbabwe respectively. Their studies focused on business performance in terms of increased sales, acquisition of asset and technology while household studies focused on increased income from firms as profit or wages and salaries to establish a link between the availability of micro- credit financing lending and overall well-being of the poor. In conclusion, the micro- credit financing of Kisumu County reflects many larger issues of micro-credit around the world. The review of literature shows mixed results. These studies have not shown the relationship between loan volume, refinancing and capital sufficiency on the growth of enterprises. This study therefore seeks to determine the relationship between micro credit financing and the growth of women based enterprises.

Growth performance measures are expressed in monetary units. The techniques widely used for analytical purposes include; ratio analysis, trend analysis and cross sectional analysis. 'The mind-set of an entrepreneur that guides all decision making for SME's is a key factor in the extent and rate of growth of the businesses' argues (McGrath, 2001). This has been emphasized by Hashimoto (2011), who states that firms grow because they have resources which are not fully utilized within the firm and entrepreneurial motivation exists which so profit is seeking. Therefore, access to credit by SME's is influential in order to increase their profitability and enhance growth. 4 The three main challenges that SME's business owners face are financial support for business opportunities to grow, business diversification and good business practices. Without enough and sustainable financial capital SME's will not realize full growth (SME-RC, 2012). SME's select capital structure depending on the attributes that determine the various costs and benefits associated with debt and equity financing. Capital structure is defined as a specific measure of debt and equity a firm uses to finance its operations (Joshua & Nicholas, 2009). SME's growth as defined by Nichter and Goldmark, (2005), as an increase in the number of employees over time because the owners are usually able to remember the number of employees over time, though they may not have maintained the written records which are reliable. Entry barriers were said to be high for new business starters to access loan finance. Two reasons can be sighted as the causes for this state of affairs. The first being the fact that new business starters, especially SMEs, lack information and the experiences as to how to approach microfinance institutions while the second was that microfinance institutions trust entrepreneurs with whom they have long business relationships much more than the soundness of the business ideas. Once business dealings are started and good track records established, one does not face any problems getting additional loans (Wole, 2009).

2.6 Empirical Review of Literature

The review of literature on the growth of SMEs of which women based enterprises are part of indicate that many micro and small enterprises (SMEs) fail to experience growth due to limited financial resources, Government policies and business conditions. A study by Grameen Bank (1983) found that many SMEs had limited capital, lacked relevant skills and used outdated technologies that constrained their growth. However there are a number of factors that influence the decisions of SMEs operators before deciding the source and amount of capital to finance business investments to invest in business activities. Prasad, Green and Murinde (2005) found that financing policy, capital structure and firm ownership are all strongly related. Their argument was that financing policy by firms requires operators to identify ways of funding new investments. The managers may exercise main choices: use retained earnings, borrow or issue new shares. Carpenter and Petersen (2002) argue that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business growth in developing economies. It is from this perspective, that micro credit financing is considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal Sonfield&Barbato, (1999). This reveals that for any meaningful growth of SMEs there has to be capital sufficiency to invest in the enterprise. According to OECD (1996)"Conventional" bankers are generally less well equipped than venture capitalists to address the specific issues and risks inherent in financing the seed and start-up stages of enterprises to which the SMEs are constituent. Consequently, banks are in a better position to provide loans to existing SMEs than to new SMEs. Smaller potential borrowers have a handicap in obtaining loans from banks because credit assessment costs are fixed. In response, banks have been seeking ways to improve their SME credit assessment skills so as to be in a better position to price the credit risks of SMEs as well as to better assess their credits. Information on the spread of interest rates paid by SMEs seems to suggest that financial intermediaries in developing economies tend to have greater difficulties in assessing and pricing credit risks than in the developed economies.

Besides the strengthening and expansion of existing MSMEs, the support for new enterprises can contribute to development and growth. Kapila& Mead (2002) argue that in order to strengthen this position of MSMEs, access to financial and non-financial services should be made available to them because it contributes to the performance and expansion of these enterprises. Financial services should include the provision of micro-credits and loans while non-financial services incorporate a wide range of Business Development Services (BDS). BDS activities refer to group training, individual counseling and advice, the development of new commercial entities, technology development and transfer, information provision, business links and policy advocacy. It is observed that as banks and other financial institutions have sought to broaden their loan portfolio; MSMEs have become an increasingly attractive customer group. Evidence made by Bawuah et al (2014) indicates that there are enough and available financial opportunities for small businesses to access even though Leippoid et al. (2006) have found a contrary opinion and assert that financial institutions in Ghana were rather cautious with lending to MSMEs groups because of high default rates and its possible risks associated with the sector. The issue of availability of funds for MSMEs has been confirmed to exist by Bawuah et al. (2014), another contending issue suspected to be bothering small businesses is high interest rate. Research on the credit channel of monetary policy contends that higher interest rates lead to a decline in the availability of internal and external finance relative to credit needs of firms. This channel is deemed to be most important for small businesses which are most likely to be constrained in their access to finance.

According to Yaron (1997) the study found that poor access to loans and limited finance was the main cause limiting the growth of micro and small enterprises of which Women based enterprises is part. Access to credit enables the SMEs owner to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. Similarly, UWFT (2005) found that majority of SMEs that accessed adequate funds from microfinance institutions increased their volume of sales and the profit. The study also found SMEs acquired assets using MFIs loans. A study by UNDP (2002) found that SMEs in Kenya were able to acquire fixed assets and technologies using MFIs. The study established a positive significant relationship between amount of loan and SMEs achievement of goals. Makokha (2006) revealed that inadequacy of capital hindered the expansion of businesses. The study further found that larger loans enabled SMEs to graduate to medium enterprises. Otto, Muli and Ong'ayo (2010) supported this finding in their study that indicated that those SMEs that received large loans frequently had larger labour force than those MSEs that received smaller loans. Appropriate loan sizes for clients matching their needs, realistic interest rates, savings as a prerequisite, regular, short and immediate repayment periods and achieving scale can contribute to the sustainability of micro and small enterprises implying that the volume of loan is related to the growth of SMEs of which Women based enterprises is part.

The existing literature review point out to the business growth inertia that comes with micro credit financing initially geared towards poverty eradication as a main objective. Various scholars have brought forth different perspectives concerning micro credit financing on the growth of women business enterprises but all point to their ability to inspire business growth and Kisumu County is not an exception. Although, the study was dependent a lot on the existing body of literature for the identification of variables as well as for developing a rigorous logical argumentation for the interrelationships among different variables in the contributions of microfinance to growth of small businesses. The theoretical and empirical literature point to practical cases of micro credit financing and how it has been influential around the world, leading to empowerment and growth in small and medium business enterprises. The relationships between the dependent and independent variables indicate the factors that have been important to availability of micro credit financing and the consequent influence it has on growth of small and medium businesses enterprises Gatome et al, (2003). The review of literature shows mixed results .Some studies argue that loan size borrowed significantly and positively do contribute to the growth of businesses especially Micro and small Enterprises, while other studies indicated that MSEs that accessed MFIs loans did not show any sign of growth. Due to mixed results, it is worth investigating the effect of Micro- credit financing on the growth of women based enterprises.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This section describes methods to be used in data collection and a justification of the research design that is to be adopted in the study. Specifically, the section highlights the methods of data collection, measurement and analysis. The chapter also describes the research design, target population, the research instruments, the sampling design, as well as means of collecting data and statistics that was used in the data analysis. Research methodology encompasses the research designs, method of data collection and data analysis to be applied in the research study (Mugenda & Mugenda, 2003). Research methodology thus is thus a way to rigorously solving the research problem and can be construed as the science of studying how research is undertaken in a scientifically and logical sequence.

3.2 Research Design

The research design shall be a mixture of Descriptive Cross-section-Design and Correlation in nature aimed at explaining the connection between research problems and the various independent variables identified. Descriptive Cross-section-Design is considered to be crucial in assessing and collecting data for this particular study since it is suitable for an in-depth study of the target population. The design was able to indicate the causal relationship between variables in the study and hence the researcher could tell how one variable explains or is explained by another. Research design is thus defined as the arrangement of conditions for collecting and or analyzing data in a way that combines relevance to the research purpose with economy in procedure (Kothari, 2009). It enabled the researcher to relate the research problem to the missing gaps of other research work which have been covered and also show what the other researchers overlooked possibly due to time differences or economics and social factors.

In Contrast, Correlation design is a statistical study that explores if there is a cause-and-effect (causal) linkage between two or a few factors. That is, it is a numerical way of determining if the variables are coincidental or possibly have a causal relationship. The Pearson product-moment correlation coefficient sometimes referred to as the PPMCC or PCC or Pearson's r is a measure of the linear correlation (dependence) between two variables X and Y, giving a value between +1 and −1 inclusive, where 1 is total positive correlation, 0 is no correlation, and −1 is total negative correlation. This study design is suitable for this research because, it allows collection of data through questionnaires administered to a sample population, Saunders and Thornhil (2007). The data collected by this design will be used to suggest possible reasons for particular relationships between the independent variable such as; micro- credit financing on credit volume, credit capital sufficiency and credit refinancing on Women Business Enterprises; against the dependence variables of Size, Profit and Equity changes on the growth of women business enterprises.

3.3 Study Area

The study area was in Kisumu County, situated between latitude -.0917016. and longitude -34.7679568, covering an area of 2,085.9 KM^2 with a population of 968,909, Kenya population census (2009). The county has approximately 4,850 registered SMEs most of which about 2000 are owned by women and run by women. According to NCAPD (2008) Kisumu District Strategic Plan 2008-2013 for Implementation of the National Population Policy for Sustainable Development, the population of Kisumu County was estimated at 968,909 persons with 474,687 males and 494,222 females. The Population distribution by Urban Centers is composed of one city, Kisumu and several towns and trading centers in the County including Ahero, Maseno, Kombewa, Awasi, Holo, Chemilil, Muhoroni, Katito, Pap Onditi and Sondu. Where the Women Based Enterprises being studied are located.

3.4 Sample Size and Study Population

A sample size of 385 registered women based enterprises calculated using the Z-score with a confidence level of 95% and a margin of error of $\pm$ 5%, would be drawn using random sampling method. Both structured and unstructured questionnaires was used in primary data collection. As defined by Amin, (2005) and Best, (1981), sampling is a process of selecting variables from an accessible population in such a way that the variables selected represent the population on which the results of an investigation is to be generalized. This method is the most appropriate for this study because it provides more information within sample size and it ensures variability was taken care of within each cluster chosen for the study.

•95% – Z Score = 1.96

a margin of error (confidence interval) of +/- 5%.

Necessary Sample Size = $(\text{Z-score})^2$ – StdDev*(1-StdDev) / $(\text{margin of error})^2$

$((1.96)^2 \times .5(.5)) / (.05)^2$

(3.8416 x .25) / .0025

.9604 / .0025

384.16

385 respondents were needed

The desired sample size when population is less than 10,000

The estimate of the population size (Mugenda and Mugenda, 2003)

3.5 Research Instruments (Questionnaire)

The main data collection instrument to be used in the study is semi- structured questionnaire; Perceptual responses was captured in a five-point-Likert scale since actual financial data on the majority of these women based enterprises are likely to be publicly unavailable making it difficult to check the accuracy of any financial data to be reported. The Likert scale is also preferred as it is able to deal with large number of items and difficulties in eliciting specific information from the respondents. Structured interview technique is appropriate in this case because the variables required, although known to the researcher in the real context, could be defined beforehand using designed questions based on the scope and objectives of the study as shown in the conceptual framework. This created uniformity in the responses and permit comparability analysis of the study. The guide will also make it possible to code the data for computerized analysis while secondary data was gathered from hard copies from several books, research literatures, articles, journals and women based enterprises documents, Internet sources was also be used.

3.6 Validity and Reliability

Unreliable instrument cannot be valid or used to generalize outcomes. The reliability must be stable, consistent i.e. getting the same results.

3.6.1 Reliability

This pertains to the extent to which the data collection instrument can be relied upon. For example reliability of the questionnaire refers to the ability of the questions to give the same results if administered to the same respondents under the same conditions i.e. consistency of the results. A questionnaire was ensured to have internal consistency, which refers to a set of questions that give same results whether applied as a total or partially.

3.6.2 Validity

Validity this pertains to the extent to which an instrument measures what it is supposed to measure. Internal validity tests the reliability of the scale used in the questionnaire. To ensure reliability and validity of the research outcome, the researcher shall ensure that research instruments actually measure what is intended. To accomplish this, a pre-test (Pilot testing) of the research instruments shall be undertaken. This was done on ten (10) respondents who did not take part in the study. This process ensures that proper corrections and editing of errors (errors of Omissions and Commissions) and sensitive questions were dealt with before administering the questionnaire.

3.7 Model Specification

Model specification is the process of developing a Simple regression model. This process consists of selecting an appropriate functional form for the model and choosing which variables to include. Thus, it encompasses the choice of independent (and dependent) variables, as well as the functional form connecting the independent variables to the dependent variable. Specification can also include any assumptions about the stochastic component of the model. Thus, specification occurs before estimation, an estimation technique is merely a tool for determining the values of the parameters in the model that best fits the observed data to the specification. The study adopted a simple regression model, which is considered suitable for determining how each dependent variable is determined by a set of independent variables. The model specification to be used was;

$Y=a+b_1x_1+b_2x_2+b_3x_3$

Where; Y=Growth, a= Constant, b_1= Credit Volume, x_1= Size, b_2 =Credit refinancing x_2= Profit, b_3= Credit capital sufficiency, x_3= Equity.

3.8 Data Analysis and Presentation.

The data collected was analyzed using Pearson’s correlation and Chi square (X^2) methods. Correlation analysis was used to quantify the association between two continuous variables between an independent and a dependent variable or between two independent variables. while Chi square (X^2) and (R^2) analysis is a related technique used to assess the relationship between an outcome variable and one or more risk factors or confounding variables. According to Bryman and Gramer, (1997),data analysis seeks to fulfill research objectives and provide answers to research questions. The choice of analysis procedures depend on how well the techniques are suited to the study objectives and scale measurements of the variables in question. This is suitable method for this study and was therefore used.

3.9 Ethical Issues in Research.

The term ethics is used to denote the study of the right and wrong and the morality of choices individuals' make. The study took into consideration key ethical issues to cushion the rights of research participants. The principle of voluntary participation shall be complied with that requires that participants was not be coerced into participating in the research. In addition, to be considered relates to the notion of voluntary participation is the need to comply with informed consent and confidentiality. The principle of anonymity of the respondents was also be respected which essentially means that the participants shall remain anonymous throughout without identities revealed.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The study sought to determine the effect of Micro credit financing on the growth of women based enterprises (WBEs).This chapter presents the results of analysis of data collected from the field through open ended and close-ended questionnaires, interview guides and document analysis. To achieve the objectives of the study, data was collected from registered women based enterprises as key informants.

4.2 Response Rate

The total sample used in this study were 385 registered Women Based Enterprises (WBE) selected through stratified random sampling technique. Out of the 385 Questionnaires released, only 345 were received, giving a response rate of 89.6%. According to Mugenda & Mugenda, (2003),a response rate of 50% is adequate, 60% is good and 70% and above is very good. Therefore, 89.6% response rate in this study was adequate for analysis and according to Babbie (2004), a return rate of 50% is acceptable to analyze and publish, 60% is good and above 70% is rated very well. The success rate was because the researcher contacted the respondents through email even before the actual exercise of data collection kicked off.

4.3 Demographic Characteristics

The study sought to find out the demographic characteristics of the respondents as question 1-5 in the questionnaire depicted. The information sought was on age, gender, years of experience.

4.3.1Age of Respondent

According to the findings, few of the respondents

Table 4.1: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	161	46.7	46.7	46.7
	Between 30 - 40	139	40.3	40.3	87.0
	above 40	45	13.0	13.0	100.0
	Total	345	100.0	100.0	

Source: Research data 2017

Table 4.1 reveals that those who undertake the business engagements in Small and Medium Business Enterprises are mainly below the age of 40 years; as demonstrated by 46.7% of the study respondents being of age below 30 years, 40.3% between 30 and 40 years and only 13% of age above 40 years. This implies that Small and Medium Business Enterprises are business channels that absorbs a majority of younger age group category.

4.3.2 Marital Status

It was the interest of the study to seek for the marital status of the women doing business in the study area. The findings are as shown below.

Table 4.2: Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	285	82.6	82.6	82.6
	Single	26	7.5	7.5	90.1
	Widowed	17	4.9	4.9	95.1
	Divorced	17	4.9	4.9	100.0
	Total	345	100.0	100.0	

Source: Research data 2017

Table 4.2 presents the information on the marital status of the Business operators; in which the results reveal that 82.6% of women engaged in Small and Medium Business Enterprises were married while just 7.5% of women carrying businesses in the Small and Medium Business Enterprises subsector were single. However, on other parameters, there was an equal number of those widowed or divorced, standing at 4.9% each.

4.3.3 Area of Operation

The study sought to establish the area where they were conducting their businesses and the results captured in the table below.

Table 4.3 Area of Operation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Kisumu city	45	13.0	13.0	13.0
	Ahero	152	44.1	44.1	57.1
	Chemelil	55	15.9	15.9	73.0
	Muhoroni	24	7.0	7.0	80.0
	Sondu	24	7.0	7.0	87.0
	Awasi	24	7.0	7.0	93.9
	Kombewa	21	6.1	6.1	100.0
	Total	345	100.0	100.0	

Source: Research data 2017

Table 4.3 presents the information on the number of Small and Medium Business Enterprises carried out by women entrepreneurs in Kisumu County. The data reveals that, Ahero, Chemelil and Kisumu city regions have the largest numbers of the Women based small and Medium Business Enterprises. Of all the sampled respondents, it is evident that Ahero region had 44.1% of the businesses; Chemelil region had 15.9%of the businesses, while Kisumu city region had 13% of the businesses. Women based Small and Medium Business Enterprises (SMEs) in Muhoroni, Sondu and Awasi regions have only 7% each; with Kombewa region having only 6.1%.

4.3.4 Markets Served

An interest to establish the type of market the respondents served was key. The table below summarized the findings.

Table 4.4: Type of Market

	Frequency	Percent	Valid Percent	Cumulative Percent
Local	131	38.0	38.0	38.0
Regional	138	40.0	40.0	78.0
Foreign	76	22.0	22.0	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.4 presents the information on the number of markets served by women based enterprises in Kisumu County. The data reveals that, regional and local markets take greater share of the goods and services produced by the women based enterprises at 40% and 38% respectively while foreign markets take smaller share of 22% of these products and services of the sampled women based enterprises in Kisumu County. This means that a greater percentage of goods and services produced are for the regional and local consumption.

4.3.5 Highest Level of Academic Qualification

The highest academic level of education was sort and the results obtained in the table below.

Table 4.5: Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	93	27.0	27.0	27.0
	Secondary	169	49.0	49.0	75.9
	Tertiary	83	24.0	24.1	100.0
	Total	345	100.0	100.0	

Source: Research data 2017

Table 4.5 presents the information on the number of Small and Medium Business Entrepreneur's level of education by women entrepreneurs in Kisumu County. The data reveals that, of the 345 respondents sampled 49% of the women based enterprenuers had secondary level of education being the largest number . In the second position was 27% of the women based enterprenuers had primary level of education while 24% of the women based enterprenuers had tertiary education by extension the highest level of education for the respondents. This reveals that most of women secondary school leavers get into business after either completing their form four education or are secondary drop outs who venture into business in order to either be self employed or engage themselves in business.

Cross tabulation

Just to observe the distribution of the level of education against the marital status, cross tabulation was necessary and the table below indicated the response.

Table 4.6 Level of Education and Marital Status Cross Tabulation

Count

	Marital status				Total
	Married	Single	Widowed	divorced	
Primary	82	1	6	4	93
Secondary	133	24	4	8	169
Tertiary	70	1	7	5	83
Total	285	26	17	17	345

Source: Research data 2017

Table 4.6, refers to the women based enterprenuer's level of education and marital status operating business in isumu County. The report reveals that of the 285 interviewed women based enterprenuers, 133 of the women enterprenuers had secondary level of education and were maried, 82 of the women enterprenuers were married and had primary level of education while the number of married women with tertiary level of education were 70. The number of single ladies who were women enterprenuers with their levels of education were, 1 single lady having primary level of education, 24 ladies having secondary level of education and 1 single lady having tertiary level of education. Women enterprenuers who were interviewed were 17 cmprising of 6 women enterprenuers having primary level of education, 4 women enterprenuers having secondary level of education and 7 women enterprenuers having tertiary level of education. The number of divorced women enterprenuers who responded were 17 with 4 women enterprenuers having obtained primary level of education, 8 women enterprenuers having obtained secondary level of education and 5 women enterprenuers having obtained tertiary level of education. The results therefore confirm the findings in table 4.5 that indicates that women entrprenuers who have obtained secondary level of education are the more than the other levels of education obtained from the respondents of women based enterprenuers operating bussineses in Kisumu County.

4.3.6 Motivation to Start Business

Business always, are driven by a particular motive. Consequently, the motive behind formation of the respondent's business was sort. The results are tabled below.

Table 4.7 Motivation to start the business

	Frequency	Percent	Valid Percent	Cumulative Percent
To be self employed	107	31.0	31.0	31.0
To make profit	100	29.0	29.0	60.0
To improve living standards	138	40.0	40.0	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.7, represents the women based enterprenuers who participated in the interview on the question on what motivated them to start their busineseses 40%, of the women enterprenuers stated that they started their businesses as an avenue to improve their standards of living. The results also revealed that 31% of the women enterprenuers interviewed started their businesses in order to be self employment. While 29% of women based enterprenuers started their busineses with an aim of making profit. It is therefore from the results able to conclude that the main aim of strating business for women enterprenuers in Kisumu County was to improve their standards of living.

Cross tabulation

To have a feel on how the different cadres of education levels responded to the question of motive, the results in the table below gave a summary.

Table 4.8 Level of Education and Motivation to start the Business Cross Tabulation

Count

	What motivated the start of the business			Total
	To be self employed	To make profit	To improve living standards	
Primary	10	32	51	93
Secondary	80	33	56	169
Tertiary	17	35	31	83
Total	107	100	138	345

Source: Research data 2017

Table 4.8, refers to the women based enterprenuer’s level of education and motivation to start business business in isumu County. The report reveals that of the 345 interviewed women based enterprenuers, 80 of the women enterprenuers had secondary level of education and strated their busiseses with an aim of being self employed. 17 of the women enterprenuers had obtained Tertiary level of educationa and strated their busiseses with an aim of being self employed while 10 of the women enterprenuers had obtained primary level of educationa and strated their busiseses with an aim of being self employed. The table further indicates that 35 of the women enterprenuers had obtained tertiary level of education and strated their busiseses with an aim of making profit. 33 of the women enterprenuers had obtained secondary level of educationa and strated their busiseses with an aim of making profit while 32 of the women enterprenuers had obtained primary level of educationa and strated their busiseses with an aim of making profits. Lastly 56 of the women enterprenuers had obtained secondary level of education and strated their busiseses with an aim of improving their standards of living. 51 of the women enterprenuers had obtained primary level of educationa and strated their busiseses with an aim of improving their standards of living while 31 of the women enterprenuers had obtained tertiary level of educationa and strated their busiseses with an aim of improving their standards of living. This shows that women entrprenuers in Kisumu County who have obtained secondary level of education wehe the highest having been motivated to start busisess in order to be self employed, make profits and improve their standards of living.

4.3.7 Years of Experience

The study sought to find out how long the respondents have been in business.

Table 4.9: Years of Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
1-2 years	76	22.0	22.0	22.0
3-5 years	107	31.0	31.0	53.0
5 or more years	162	47.0	47.0	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.9, represents the women based enterprenuers who participated in the interview on the question on the number of years they have been in the business 47%, of the women enterprenuers stated that they have been in the business for more than 5 years . The results also revealed that 31% of the women enterprenuers interviewed stated that they have been in the business for between 3-5 years. While 22% of women based enterprenuers started that they have been in the business for between 1-2 years. It is therefore from the results able to conclude that the highest years majority women based enterprenuers had been in business in Kisumu County is 5 years.

4.3.8 Credit Volume

The study sought to establish average credit volume (in Kshs) of the businesses under consideration in terms of the average working capital and the results tabled below.

Table 4.10: Credit Volume

	Frequency	Percent	Valid Percent	Cumulative Percent
0-50,000	20	5.8	5.8	5.8
50,000-100,000	1	.3	.3	6.1
100,000-200,000	51	14.8	14.8	20.9
200,000-300,000	153	44.3	44.3	65.2
300,000 – 500,000	120	34.8	34.8	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.10 indicates the results from the women based enterprises of Kisumu County respondents on their responses on the question of the amount of credit volume held by their enterprises; the results obtained are that 44.3%, of the women based enterprises had an a credit volume of between kshs. 200,000-300,000. The results also indicates 34.8% of the women based enterprises had a credit volume of between kshs. 300,000 – 500,000, while those with a credit volume of between kshs. 100,000- 200,000 were 14.8% of the women based enterprises. Those with a credit volume of between 0-50,000 were only 5.8% of the women based enterprises while only 0.3% of the women based enterprises had a credit volume of between 50,000 – 100,000.

4.3.9 Credit Refinancing

Businesses are either owner financed or credit financed. However, the study sought to find out how many times the businesses have been financed through credit and the results tabled below.

Table 4.11: Credit Refinancing

	Frequency	Percent	Valid Percent	Cumulative Percent
once	103	29.9	29.9	29.9
twice	96	27.8	27.8	57.7
thrice	141	40.9	40.9	98.6
four times	5	1.4	1.4	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.11 reveals the results from the women based enterprises in Kisumu County on the interviewed question of how many times they acquired credit refinancing from micro credit institutions. According to the findings, 40.9% of women based enterprises' had accessed credit three times, 29.9% of women based enterprises' had accessed credit only once while 27.8% of women based enterprises' had had credit financing twice. Lastly, a paltry 1.4% of women based enterprises' had accessed credit four times.

4.3.10 Average Working Capital

On the aspect of the average working capital, the table below gave the results.

Table 4.12: Average working capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-100,000	193	55.9	55.9	55.9
	100,000-500,000	114	33.0	33.0	89.0
	500,000-1,000,000	38	11.0	11.0	100.0
	Total	345	100.0	100.0	

Source: Research data 2017

Table 4.12 contains the responses of women based enterprises in Kisumu County on the question of what was their average working capital held by their firms. The responses stated that 55.9% of the women based enterprises had an average working capital of between Kshs. 0- 100,000, 33% of the women based enterprises had an average working capital of between Kshs. 100,000-500,000 while 11% of the women based enterprises had an average working capital of between Kshs. 5,000,000- 1,000,000.

4.3.11 Capital Sufficiency

Table 4.13: Capital Sufficiency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	207	60.0	60.0	60.0
	No	138	40.0	40.0	100.0
	Total	345	100.0	100.0	

Source: Research data 2017

Table 4.12 on the question to the women based enterprise of Kisumu County on if they felt that they had sufficient capital for their businesses, 60% of the women based enterprises acknowledged having capital sufficiency to run their enterprises while 40% of the women based enterprises responded that they had capital deficiency.

4.3.12 Growth

This is the dependent variable in this study. There are various ways in which growth is measured i.e. market share, number of employees or even the number of sales. In this study, growth was measured/proxied by the level of profits that the businesses were able to generate on a monthly basis.

Profits

The responses regarding whether the different enterprises had actually made profits within their years of existence was sort and the results tabled below.

Table 4.14 Profits

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	283	82.0	82.0	82.0
no	62	18.0	18.0	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.14, presents the results from women based enterprises on the question on whether they are realizing profits from their enterprises or not during their years of operation. The results indicated that 82% of the women based enterprises had actually made profits within their years of operation while 18% of the women based enterprises acknowledged losses.

Table 4.15 Profitability

	Frequency	Percent	Valid Percent	Cumulative Percent
5000-15000	5	1.4	1.4	1.4
15001-25000	71	20.6	20.6	22.0
25001-35000	107	31.0	31.0	53.0
35001-50000	162	47.0	47.0	100.0
Total	345	100.0	100.0	

Source: Research data 2017

Table 4.15 indicates the results on the profitability of the women based enterprises in Kisumu county the results reveals that 47%, of women based enterprises earned profits of between kshs. 35001-50000 this was followed by women based enterprises who earned profits between kshs. 25001-35000 at 31%, women based enterprises who earned between kshs. 15001- 25000 were 20.6% while women based enterprises who earned between kshs. 5000- 15000 was 1.4%.

4.4 Descriptive Statistics

The descriptive statistics looks at the issues touching on the distribution of data and the normality of the variables used in this study. Below are the results:-

Table 4.16: Descriptive Statistics

		Credit Volume	credit refinancing	capital sufficiency	Growth
N	Valid	345	345	345	345
	Missing	0	0	0	0
Mean		4.02	2.14	1.40	3.23
Mode		4	3	1	4
Std. Deviation		1.016	.865	.491	.825
Skewness		-1.397	-.137	.410	-.616
Std. Error of Skewness		.131	.131	.131	.131
Kurtosis		2.107	-1.383	-1.843	-.816
Std. Error of Kurtosis		.262	.262	.262	.262

Source: Research data 2017

Standard deviation: This is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. They are calculated as the square root of variance. From the results, other than capital sufficiency that had a dispersion of 0.491, the rest of the variables had an average of one, which is not so severe.

Skewness: Defines the extent to which a distribution differs from a normal distribution. From the results above, only capital sufficiency are positively skewed whereas credit volume, credit refinancing and growth are negatively skewed. This means that in capital sufficiency, the mean is greater than the mode but in the case of credit volume, credit refinancing and growth, mean is less than the mode.

Kurtosis: This measures the thickness or the thinness of the distribution's tail. The kurtosis of a normal distribution is always 3. If it is more than 3, then the distribution has a thick tail but if it is less than 3, the distribution has a thin tail. From the table above, all the variables have a kurtosis that is less than 3 meaning that they have an almost flat tail.

4.5 Correlation

This measures the linear association between the dependent and the independent variables. It looks at the degree to which the variables move in a straight line. The Pearson correlation coefficient was used. Usually, the variables appear both on the vertical as well as on the horizontal axis. The values on the leading diagonal are always "1". Correlation coefficient greater than 50% is a sign of a strong association. If the sign of the correlation coefficient is negative (-), it then implies that the variables have a negative association i.e. they move in opposite direction. If the coefficient is positive, it implies that the variables move in the same direction. If the probability (sig. 1-tailed) between the various correlations are less than 0.05 (5% significance level) it implies that the association is significant but when the probability is more than 0.05 (5% significance level), then the association is not significant. The correlation results between the Credit Volume, Credit Refinancing, and Capital Sufficiency are as below:-

Table 4.17: Correlations Results for all the variables

		Credit Volume	credit refinancing	capital sufficiency	Growth
Credit Volume	Pearson Correlation	1.000			
	Sig. (2-tailed)				
credit refinancing	Pearson Correlation	.218**	1.000		
	Sig. (2-tailed)	.000			
capital sufficiency	Pearson Correlation	.200**	-.084	1.000	
	Sig. (2-tailed)	.000	.121		
Growth	Pearson Correlation	.255**	.284**	.759**	1.000
	Sig. (2-tailed)	.000	.000	.000	

Source: Research data 2017

Table 4.17, presents the correlation results between the variables of the study. The results indicate that there was a weakpositive and significant relationship between credit volume and growth of Small and Medium Business Enterprises in the area of study; in which case r = 0.255; p =0.000< 0.05). The null hypothesis is therefore rejected, since p < .05. It can be conclude that the correlation is not 0 (Zero) in the population, which would imply no relationship. As credit volume, increase by one unit the growth also increases by a 0.225 magnitude. This implies that the returns generated by the firm are used in repaying the credits obtained by the business rather than invest them in an expansion plan. Von (1991) maintains that Micro- credit financing came into being from the appreciation that micro entrepreneurs and some poorer clients can be 'bankable', that is, they can repay both the principal and interest, on time and a make savings, provided financial services is tailored to suit their needs and therefore this agree with the result.

The results also reveal a weak positive significant relationship between credit refinancing and growth at r = 0.284; p = 0.000< 0.05). The null hypothesis is therefore rejected; since p < .05. It can be conclude that the correlation is not 0 (Zero) in the population, which would imply no relationship. As credit refinancing, increase by one scale the growth of the businesses also increases, but only by a 0.284 magnitude. Sonfield & Barbato, (1999) states that access to credit enables the SME owner to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. Similarly, a study by Grameen Bank, (1983) found that many SMEs had limited capital, lacked relevant skills and used outdated technologies that constrained their growth as stated by the results.

Subsequently the results indicate that there is a strong positive and significant association between capital sufficiency and growth at r = 0.759; p = 0.000< 0.05. The null hypothesis is therefore rejected; since p < .05. It can also be conclude that the correlation is not 0 (Zero) in the population, which would imply no relationship. As Capital sufficiency builds by one unit the growth now increases by a 0.759; which is a stronger magnitude. Carpenter and Petersen (2002) argue that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business (SMEs) failure in developing economies. It is from this perspective, that micro credits are considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally significant for its growth. Regression Analysis

In addition, the researcher conducted a multiple regression analysis to test relationship among variables (independent) on the Growth of women based enterprises (WBEs). The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Regression analysis is a statistical tool for the investigation of relationships between variables. It generates an equation to describe the statistical relationship between one or more predictor variables and the response variable. The p-value for each term tests the null hypothesis that the coefficient is equal to zero (no effect). A low p-value (< 0.05) indicates that you can reject the null hypothesis. In other words, a predictor that has a low p-value is meaningful addition to the model because changes in the predictor's value are related to changes in the response variable. Conversely, a larger (insignificant) p-value suggests that changes in the predictor are not associated with changes in the response.

The results are tabled as below:-

Table 4.18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change		F Change	df1
1	.835[a]	.698	.695	.455	.698		262.392	3

a. **Predictors:**(Constant), credit volume, credit refinancing and capital sufficiency.

Source: Research data 2017

From the table 4.18, Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables, from the findings, from the findings the R-squared is 0.698 meaning that the micro credit financing variables that this study considered explains 69.8% Growth in women based businesses in Kisumu County. A measure of goodness fit is also at 262.392 with a significance of 0.000.

R is the correlation coefficient, which shows the relationship between the study variables, reveal a strong positive correlation between the variables that is credit volume, refinancing and credit sufficiency as independent and growth of businesses as dependent variables. The study was mainly on dependence and independent relationship, a moderate multiple regression analysis was used. A multivariate regression model was applied to determine the relative importance of each of the three variables with respect to the effects of microcredit financing on the growth of women based enterprises in Kisumu County.

These results are inconsistent with Karnani, (2007) whose proposition was that the microcredit financing leads borrowers to a debt trap; arising from the fact that the SMEs possess little capital and lack economies of scale; which coupled with low productivity of their businesses result in to minimal earnings which cannot effectively finance growth trends. Wanjohi (2008), while appreciating the fact that access to finance remains a challenge for SMEs; which culminates in to insufficiency of funds; thereby affecting potential growth of the firms, further admits that in Kenya, the extension of credits is constrained by the market forces of increased costs, which overtake the net profits of the same firms. This would subsequently results into limited access to needed credit for SMEs. Gitonga (2012) who on a study on micro-crediting for low income earners, established existence of an upward trend in borrowing; as more people took up loans to start small enterprises which are helping to create informal jobs amidst the crowding in the formal sector; explains that the multiplicity of small scale businesses may negatively impact on the existing SMEs. He noted that rarely do these businesses engage on new innovative lines of operations, thereby chocking the existing firms. On the other hand, Onchiri (2012) while investigating on determinants of microcredit provision to women entrepreneurs by MFIs established such causes as poor product design, lack of freedom and bargaining power by women and the relegated status for women to position subordinates in resource management, as the greatest influence on microcredit provision to women by MFIs. He further states that lack of access to credit results into stagnation of Small and Medium Enterprises, which is consistent with the current and Pius (2010). However, the foregoing contrasts retains the question whether microcredit financing exclusively affect the growth of SMEs, without singling out the divergent circumstances under which each category operates. This proposes a quest for further investigation. This contribution of Micro credit financing to growth of women based enterprises is significant considering the women based businesses. The difference of 30.2% is attributed to factors outside the scope of this study. Small and Medium Enterprises (SMEs) which women based enterprises is part of need micro- credit services to enhance their development, profitability and growth according to Sievers and Vanderberg (2004).

Analysis of Variance (ANOVA)

This is a measure of the “Goodness of fit” and it defines how the sample results can be used to explain the results of the larger population.

Table 4.19: ANOVA table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	163.260	3	54.420	262.392	.000[b]
	Residual	70.723	341	.207		
	Total	233.983	344			

Source: Research data 2017

df = degrees of freedom; F = ANOVA; α = level of significance; F_0=calculated value of F; Fc= the critical value of F; αo= calculate value of α; and αc= the critical value of α.a. Dependent Variable: growth of women based business enterprises. Predictors:, (Constant), credit volume, credit refinancing and credit sufficiency provided by micro credit financing.

Table 4.19 presents Analysis of Variance results of the study parameters. The probability value (p-value) of a statistical hypothesis test is the probability of getting a value of the test statistic as extreme as or more extreme than that observed by chance alone, if the null hypothesis H_0 is true. The p-value, is therefore compared with the actual significance level of the test and, if it is smaller, the result is significant. The smaller it is the more convincing is the rejection of the null hypothesis. ANOVA findings in table 4.17 shows that there is correlation between the predictors variables (credit volume, credit refinancing and capital sufficiency provided by micro credit financing and response variable (growth of women based enterprises) since P- value of 0.000 is less than 0.05 as indicated in the table 4.19.

The summary of the basic logic of ANOVA is the discussion of the purpose and analysis of the variance. The purpose of the analysis of the variance is to test differences in means (for groups or variables) for statistical significance. The accomplishment is through analyzing the variance, which is by partitioning the total variance into thecomponent that is due to true random error and the components that are due to differences between means. The ANOVA analysis is intended to investigate whether the variation in the independent variables explain the observed variance in the outcome – in this study the growth. The ANOVA results indicates a significant F statistics (F= 262.392; p = 0.000) meaning that the results from the sample adequately can be used to make inferences to the entire population. The Mugenda and Mugenda, (2003)

Table 4.20: Regression Coefficients for microcredit financing on growth

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.614	.122		5.013	.000
Credit Volume	.019	.025	.023	.738	.461
credit refinancing	.329	.029	.345	11.193	.000
capital sufficiency	.316	.052	.783	6.076	.000

Source: Research data 2017

Table 4.20 presents the regression coefficients variables on growth. The results fit in the model of analysis in the form of;

Growth $= \mathbf{0.614 + 0.019 \propto_1 + 0.329 \propto_2 + 0.316 \propto_3 + \varepsilon}$

Where; Y=Growth, a= Constant, b_1= Credit Volume, x_1= Size, b_2 =Credit refinancing x_2= Profit, b_3= Credit capital sufficiency, x_3= Equity

The Unstandardised coefficients reveal that there is a positive but insignificant relationship between credit volume and growth ($\propto_1 = 0.019, p = 0.461 >$ 5%). This means that as credit volume increases by a unit, growth increases by 0.019. It therefore implies that growth of Small and Medium Enterprises is not significantly influenced by the credit volumes accumulated by the firm; giving growth influence to other factors. Available literature examining similar relationships have in the past have demonstrated mixed results. McGrath (2001) established a positive and significant relationship between credit volume and growth of SMEs; thereby stating that credit volumes are accumulated by firms to facilitate expansion and growth. This has been emphasized by Hashimoto (2011), who states that firms grow because they have resources which are not fully utilized within the firm and entrepreneurial motivation exists which so profit is seeking. Therefore, access to credit by SME’s is influential in order to increase their profitability and enhance growth. Without enough and sustainable financial capital SME's will not realize full growth (SME-RC, 2012). SME's select capital structure depending on the attributes that determine the various costs and benefits associated with debt and equity financing. Capital structure is defined as a specific measure of debt and equity a firm uses to finance its operations (Joshua & Nicholas, 2009). Once business dealings are started and good track records established, one does not face any problems getting additional loans Wole, (2009). Rahmat and Maulana (2006) found that doubling the amount of loan had a negative impact on the performance indicated by income and savings, especially if such loans are not put into productive use. To address this negative impact, their recommendation was that it is very important to allocate the loan to the productive activities, such as investment, in a way that improves the business opportunity. The insignificance of Credit Volume on growth reflects that whereas there exists some effect of credit volume on growth of women based enterprises, there exists a limit of such a relationship. Therefore whereas the results agrees with Rahmat and Maulana (2006) study, they are incongruent with McGrath (2001), Hashimoto (2011) and Joshua & Nicholas (2009). This contrast requires further examination.

Regarding the relationship between credit refinancing and growth, there is a positive and a significant influence on credit refinancing and growth ($\propto_2 = \mathbf{0.329; p = 0.000} <$ 5% level, meaning that as credit refinancing increases by a unit, growth increases by 0.329. New small and medium enterprises formation is an important source of job creation as stated by Newmark, Wall, and Zhang 2011; Haltiwanger J., R. S. Jarmin, and Miranda 2013 in their study stated that although without gaining access to external capital, it might be difficult for entrepreneurs to start businesses and make them grow. Especially, given that it is small firms who take the biggest hit in the presence of financial constraints arising from asymmetric information, whether capital smoothly flows into those small firms with profitable investment opportunities has been the main interest of policymakers. Petersen and Rajan (1994) also argue that the extent to which small firms are nurtured and have access to the credit necessary for growth is an important measure of the efficiency of a financial system.

Habibulla, (2010), and John (2011), in their studies found that MFIs loans increased the income of SMEs operators and poor people in Bangladesh and Zimbabwe respectively. Their studies focused on business performance in terms of increased sales, acquisition of asset and technology while household studies focused on increased income from firms as profit or wages and salaries to establish a link between the availability of micro- credit financing lending and overall well-being of the poor. as credit responds endogenously to current and expected economic conditions as stated by Favara and Imbs (2015), explaining that improvements in local economic conditions might attract more capital from micro finance institutions and result in credit booms, which is particularly plausible in the era of financial integration. Notwithstanding the fact that, there could be unobservable factors which might affect business growth but are correlated to credit growth (e.g., borrowers' investment opportunities, small firms' innovation, or natural disasters) in order to address the endogeneity concerns and ensure that this is a micro credit supply effect.

Fracassi, Garmaise, Kogan, and Natividad (2016) while conducting this line of inquiry using business micro credit application data of U.S. subprime minority borrowers, both found a positive relationship, suggesting the possibility that financial constraints may limit economic growth. Therefore from the study results of my findings, this agrees with the previous researchers and thus a firms that there is a positive and a significant influence on credit refinancing and growth.

Lastly, the relationship between capital sufficiency and growth is positive and significant ($\propto_3 = \mathbf{0.316; p = 0.000}$ < 5% level, meaning that a unit increase in capital sufficiency leads to an increase in growth by 0.316. Capital sufficiency is also a factor of growth, Crosse and Hamsel (1980), stated that Capital sufficiency has the ability to enable Small and medium business enterprises which women based enterprises is part of to generate income and a means of expanding its operations, deliver quality services and remain competitive. This is critical to income generation as growth of comprehensive income statement is dependent upon capital sufficiency. According to Pandey (2003), capital sufficiency is required to finance the day-to-day activities of a firm and provide for expansion and growth. The need for capital sufficiency in a business organization cannot be overemphasized. There are hardly any business organizations that do not require any amount of capital. However, firms differ in their requirement of capital which is sufficient to run the business. Firms with insufficient working capital suffer a great disadvantage. Some researchers stressed that such firms are in financial 'straight jacket' as their operations are hindered and their growth is stunted by lack of funds to finance extra stock and creditors. The weakness of such firms is also demonstrated by their dependence on short-term sources of funds to finance their operation. Sometimes, this great dependence extends into the funds of the providers, who then begin to dictate the policy of business and in extreme cases may bring profitable operation to a halt by calling a creditors meeting and appropriating a liquidator. Hence, a business must have adequate funds to finance the continuity of its operations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from chapter four, and it gives the conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

The study aimed at investigating the effect of Micro credit financing on the growth of women based enterprises women based enterprises (WBEs). The study found that 82% of the respondents indicated that there was growth in terms of profits made over the years that such businesses have been in operation. The study was critically set up to; establish effect of credit volume, credit refinancing and capital sufficiency on growth of Small and Medium Enterprises. The following summaries are deducible from the presented and discussed results.

There was a weak positive and significant relationship between credit volume and growth of Small and Medium Business Enterprises in the area of study; in which case $r = 0.255$; $p = 0.000 < 0.05$). This implies that the returns of the firm is used to repay the credit. Similarly the study reveals a weak positive and significant relationship between credit refinancing and growth at $r = 0.284$; $p = 0.000 < 0.05$). Consequently the results indicate that there is a strong positive and significant association between capital sufficiency and growth at $r = 0.759$; $p = 0.000 < 0.05$. For all the associations the null hypothesis was rejected; since in all the objectives $p < .05$. It can be conclude that because the correlation was not 0 (Zero) in the population, which would imply no relationship, the variable had positive and significant relationships.

R-squared is 0.698 meaning that the micro credit financing variables that this study considered explains 69.8% Growth in women based businesses in Kisumu County. A measure of goodness fit is also at 262.392 with a significance of 0.000. This contribution of Micro credit financing to growth of women based enterprises is significant considering the women based businesses. The difference of 30.2% is attributable to factors outside the scope of this study. The results of this study concurred with some previous studies, but was on equal strength inconsistent with some past existing study findings; thereby eliciting not only the need to investigate the determinants of variance, but also to further examine the circumstances under which the SMEs operate; which has potential of creating the contrasts.

Subsequently, the study provides that there is a positive but insignificant relationship between credit volume and growth ($\propto_1 = 0.019, p = 0.461 >$ 5%). This means that as credit volume increases by a unit, growth increases by 0.019. There is a positive and a significant influence on credit refinancing and growth ($\propto_2 = \mathbf{0.329; p = 0.000} <$ 5% level, meaning that as credit refinancing increases by a unit, growth increases by 0.329. the relationship between capital sufficiency and growth is positive and significant ($\propto_3 = \mathbf{0.316; p = 0.000}$ < 5% level, meaning that a unit increase in capital sufficiency leads to an increase in growth by 0.316.

5.3 Conclusions from the Results

Whereas there is insufficient internally generated liquidity, they are generally considered as appropriate solution to SMEs because the limited amount of money needed to start a micro or small business. This is generally significant for growth of Small and Medium Enterprises**;** for which the proponents presents its factors as are frequently cited as the causes of micro and small business (SMEs) failure in developing economies, the results of this study concur. However, the magnitude of effect is still low. This requires further examination of the variables in a different scope. The regression results revealed that Microcredit financing practices applied in the study significantly contributes to the growth aspects of Women Based Enterprises in the area of concern. The difference of over 30.2% is attributable to factors outside the scope of this study. These contributory factors require to be investigated further to investigate the determinants of conflicting results.

5.4 Recommendations

The study recommends that the women entrepreneurs in Kisumu County must devote all that they can to ensure that they keep on refinancing their businesses. Such refinancing must be adequate to ensure that their business enterprises remains sustainable if at all they intend to increase their profit margins. The contrasts remains a fundamental question as to whether microcredit financing exclusively affect the growth of SMEs, without singling out the divergent circumstances under which each category operates. This proposes a quest for further investigation.

5.5 Recommendation for Further Studies

The study looked at three variables namely capital sufficiency, credit refinancing and credit volume against Growth. This growth element considered profitability as a proxy. However, other components such as number of workers, market share, sales volume as well as the level of business efficiency can also be used to measure Growth. Consequently, future research can be undertaken on these other components of growth.

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APPENDICES

Appendix I: Questionnaire

Dear respondent,

I am a graduate student of the School of Business and Economics Maseno University. I am conducting this research in partial fulfillment of the requirements for the award of Masters Degree in Business Administration- Finance. I assure you that the responses you give will be treated with strict confidentiality. All information provided in this interview schedule will be added to those of other respondents for a general analysis such that there will be no way of identifying sources of specific responses after analysis. I would be grateful if you would kindly agree to answer the Questions below as frankly and objectively as you can.

Instruction: Please tick (√) and fill in the spaces provided as appropriate to you.

1. Age of Respondent (years)

   Below 30 ( ), Between 30 - 40 ( ), above 40 ( )

2. Marital status

   Married ( ), Single ( ), Widowed ( ), Other(specify) …………………………..

3. Which area are you operating your business?

Area	**Location**	**Tick (√)**
A	Kisumu City	
B	Ahero	
C	Chemilil	
D	Muhoroni	
E	Katito,	
F	Pap Onditi	
G	Sondu	
H	Awasi	
I	Maseno,	
J	Kombewa	
K	Holo	

4. What kind of products do you produce or sell?

i...

ii..

iii..

5. What type of market do you serve?

i. Local ( )

ii Regional ( )

iii Foreign ( )

iv Other (specify) ………………………………………………………………..

6. What is your level of Education?

i Primary ( )

ii Secondary ( )

iii Tertiary ( )

iv. Other (specify) ……………………………………………………………

7. What motivated you to start the business?

i. To be self employed. ( )

ii. To make profit ( )

iii. To improve living standards e.g. Better food, Clothing, shelter, ( )

iv. Other (Specify)…………………………………………………..……

8. How long have you been in business?

i. Lessthan 1 year ( ) ii. 1-2 years ( ) iii. 3-5 years ( ) iv. 5 or more years ( )

9.(a) Do you admit that you have had profit during the period your business has been in operation? Yes ( ) No ( )

9. (b) What is your average profit per month

i. 15,000 -25,000 ( ) ii. 25,000-30,000 ( ) iii. 30,000-50,000 ( )

iv. 50,000-100,000 ( )

10. Credit Volume

(a) What is your average credit volume(Kshs) ?

i. 0-50,000 ( ) ii. 50,000-100,000 ( ) iii. 100,000-200,000 ( )

iv. 200,000-300,000 ( ) v. 300,000 – 500,000 ( ) vi. 500,000 -1,000,000 ( )

vii. 1,000,000 or more( )

10. Credit Refinancing

(a) How many times have you obtained credit from Micro- Finance Institutions (MFI)?

i. One time ( ), Amount…………………. ii. Two- times ( ) Total Amount…………iii. Three- times ( ) Total Amount………………

(iv) Four- times ( ) Total Amount………………()

(b) When (in years) specifically was this credit acquired?...

(i)……………………….. (ii)………………………………..(iii)…………………….

11. Capital Sufficiency

(a) How much is your average working capital? (Kshs)

i. 0-100,000 ( ) ii. 100,000-500,000 ( ) iii. 500,000-1,000,000 ( )

iv 1,000,000-3,000,000 ( ) v. 4,000,000 – 5,000,000 ( ) vi. 5,000,000 or more

(b)Is this amount sufficient for your enterprise? Yes ( ) No ( )